



Security and Prosperity Partnership of North America: An Overview and Selected Issues

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Summary

The Security and Prosperity Partnership of North America (SPP) is a trilateral initiative that was launched in March 2005 to increase cooperation and information sharing for the purpose of increasing and enhancing security and prosperity in the United States, Canada, and Mexico. The SPP is a government initiative that was endorsed by the leaders of the three countries, but it is not a signed agreement or treaty and, therefore, contains no legally binding commitments or obligations. It can, at best, be characterized as an endeavor by the three countries to facilitate communication and cooperation across several key policy areas of mutual interest. Although the SPP builds upon the existing trade and economic relationship of the three countries, it is not a trade agreement and is distinct from the existing North American Free Trade Agreement (NAFTA). Some key issues for Congress regarding the SPP concern possible implications related to private sector priorities, national sovereignty, transportation corridors, cargo security, and border security.

The SPP was initiated on March 23, 2005 when the leaders of the United States, Canada, and Mexico met in Waco, Texas, to discuss a number of issues including trade and economic collaboration. A major outcome of the summit was the announcement of the SPP. The initial plan included the establishment of a number of working groups in both the security and prosperity components of the initiative. The security working groups are chaired by the Secretary of Homeland Security and the prosperity working groups are chaired by the Secretary of Commerce.

Since June 2005, the SPP working groups have provided annual reports to the three North American leaders on their work and key accomplishments. The 2005 report provided the initial proposals on how to accomplish the goals of the SPP. The priorities focused on increasing collaborative efforts to improve certain sectors of the economy; developing higher standards of safety and health; and addressing environmental concerns. At the 2007 North American Leaders' Summit in Montebello, Canada, the leaders announced the following priorities for the SPP: (1) Enhancement of the Global Competitiveness of North America, (2) Safe Food and Products, (3) Sustainable Energy and the Environment, (4) Smart and Secure Borders, and (5) Emergency Management and Preparedness. In February 2008, ministers from the United States, Canada, and Mexico met in Baja California, Mexico to review the progress of the working groups during the previous year and to discuss cooperative approaches for meeting challenges and opportunities in the five SPP priority areas. In April 2008, the North American leaders held a summit to discuss how they might further advance the goals of the SPP. The three leaders decided that their respective ministers should continue to renew and focus their work in the five SPP priority areas. It is unclear what course of action will be taken regarding the SPP under President Barack Obama's Administration.

This report will be updated as events warrant.

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Background

The Security and Prosperity Partnership of North America (SPP) is a trilateral initiative, launched in March 2005, that is intended to increase cooperation and information sharing in an effort to increase and enhance prosperity in the United States, Canada, and Mexico. The SPP is a government initiative that was endorsed by the leaders of the three countries, but it is not a signed agreement or treaty and, therefore, contains no legally binding commitments or obligations. It can, at best, be characterized as an endeavor by the three countries to facilitate communication and cooperation across several key policy areas of mutual interest. Although the SPP builds upon the existing trade and economic relationship of the three countries, it is not a trade agreement and is distinct from the existing North American Free Trade Agreement (NAFTA). Some key issues for Congress regarding the SPP concern possible implications related to private sector priorities, national sovereignty, transportation corridors, cargo security, and border security. These issues are discussed in various sections of the report.

The SPP was initiated on March 23, 2005 when the leaders of the United States, Canada, and Mexico met in Waco, Texas, to discuss a number of issues including trade and economic collaboration. A major outcome of the summit was the announcement of the SPP. The primary purpose of the initiative was to improve cooperative efforts among the three countries in areas related to economic prosperity and the protection of the environment, the food supply, and public health.¹ The initial plan included the establishment of a number of security and prosperity working groups in each of the two categories. The security working groups are chaired by the Secretary of Homeland Security and the prosperity working groups are chaired by the Secretary of Commerce. It is unclear what course of action will be taken regarding the SPP initiative under President Barack Obama's Administration.

Working Group Proposals and Priorities

Since June 2005, the SPP working groups have provided annual reports to the three leaders of North America on the work and key accomplishments of the working groups. The 2005 report provided the initial proposals on how to accomplish the goals of the SPP. The priorities focused on increasing collaborative efforts to improve certain sectors of the economy; developing higher standards of safety and health; and addressing environmental concerns. The proposals related to trade and commerce included a signed Framework of Common Principles for Electronic Commerce; liberalization of Rules of Origin; a Memorandum of Understanding between Canada and the United States to exchange information and cooperate on activities relating to consumer product safety and health; harmonization of the use of care symbols on textiles and apparel labeling; and a document clarifying each country's domestic procedures for temporary work entry of professionals under NAFTA.² In March 2006, the three countries met again and continued to advance the agenda of the SPP by focusing on these high-priority initiatives.

In August 2007, at the North American Leaders' Summit in Montebello, Canada, the leaders of the three countries issued a joint statement outlining the progress that the SPP working groups had made and the priorities for the coming year. Accomplishments of the working groups

¹ See Security and Prosperity Partnership of North America (SPP) website <http://www.spp.gov/>.

² Security and Prosperity Partnership of North America (SPP), *Report to Leaders*, June 2005.

included (1) a North American Plan for Avian and Pandemic Influenza, (2) a Regulatory Cooperation Framework, (3) an Intellectual Property Action Strategy, and (4) a Trilateral Agreement for Cooperation in Energy Science and Technology. In addition, the North American leaders agreed upon the following five priority areas for the SPP working groups: (1) Enhancement of the Global Competitiveness of North America, (2) Safe Food and Products, (3) Sustainable Energy and the Environment, (4) Smart and Secure Borders, and (5) Emergency Management and Preparedness.³

In February 2008, ministers from the United States, Canada, and Mexico met in Baja California, Mexico to review the progress of the working groups during the previous year and to discuss cooperative approaches for meeting challenges and opportunities in the five SPP priority areas.⁴ The ministers provided progress reports to former President Bush, President Calderon of Mexico, and Prime Minister Harper of Canada. At the North American Leaders Summit in April 2008, the three leaders of North America directed their ministers to renew and focus the work of the SPP in the following areas:

- **Competitiveness:** Work to make regulations more compatible among the three countries to support integrated supply chains and reduce the cost of goods traded within North America, particularly within the auto industry. Strengthen intellectual property rights protection by advancing the Intellectual Property Action Strategy.
- **Smarter and More Secure Borders:** Coordinate long-term infrastructure plans and take steps to reduce bottlenecks and congestion at major border crossings. Increase cooperation on the development and application of technology to make borders smarter and more secure so as to avoid unnecessary inspections and to strengthen trusted traveler and shipper programs. Increase cooperation to install advanced screening equipment at ports of entry to deter and detect smuggling of nuclear and radiological materials.
- **Energy Security and Environmental Protection:** Strengthen energy security and protect the environment by developing a framework for harmonization of energy efficiency standards and sharing technical information to improve the North American energy market. Exchange information and explore opportunities to further reduce barriers to expanding clean energy technologies. Work to improve North America's air quality and improve the safety of chemicals in the marketplace.
- **Food and Product Safety:** Increase cooperation and information sharing on the safety of food and products. Strengthen regulatory and inspection systems to protect consumers. Work to make food and product safety standards more compatible.
- **Emergency Response:** Work on updating existing bilateral agreements to enable government authorities to help each other quickly and efficiently during times of

³ Joint statement from Prime Minister Harper, President Bush, and President Calderón at the North American Leaders' Summit, Montebello, Quebec, Canada, August 21, 2007. (hereinafter Joint statement, 2007).

⁴ U.S. Department of Commerce, Office of the Secretary, *Commerce News*, "Joint Statement by Ministers Responsible for the Security and Prosperity Partnership of North America," February 28, 2008.

crisis and great need, including responding to threats posed by cyber or chemical-biological attacks.⁵

Prosperity Components of the SPP

The prosperity components of the SPP are aimed at increasing cooperation and sharing of information to improve productivity, reduce the costs of trade, and enhance the quality of life. In the initial phase of the SPP, the three countries agreed to establish a series of working groups to “consult with stakeholders; set specific, measurable, and achievable goals and implementation dates; and identify concrete steps the governments can take to achieve these goals.” The prosperity working groups were established to cover a broad range of issue areas. In August 2007, the North American leaders announced a need for enhancing North American competitiveness through compatible regulations and standards that would help the three countries protect health, safety, and the environment, as well as to facilitate trade in goods and services across their borders. They also stated the importance of making more progress on regulatory cooperation and the protection of intellectual property. In addition, they highlighted the need for increased cooperation on import-safety issues, energy and science technology, and energy efficiency standards in key products and standby power consumption.

The North American Competitiveness Council (NACC)

At the March 2006 summit of the North American leaders, the three leaders agreed that greater private sector engagement would help the governments of the United States, Canada, and Mexico in their efforts to enhance North American competitiveness through the SPP. As a result, the North American Competitiveness Council (NACC) was created as an official working group under the SPP. The NACC consists of private sector representatives from North American corporations and provides contributions and advice related to the prosperity component of the SPP. In 2008, the North American ministers responsible for the SPP met with the NACC to discuss long-term challenges facing the three countries and how best to increase security and prosperity in North America to help make the region a desirable place to live, work, and do business. In its 2008 report to leaders, the NACC identified priorities and other key issues to help further the prosperity components of the SPP.⁶

NACC Recommendations

The NACC report listed the following priorities to enhance North American competitiveness:

- Facilitating entry for cargo and reducing border congestion along the borders with Canada and Mexico;
- Establishing competitive supply chains across North America by developing efficient transportation networks, especially along the northern and southern borders of the United States;

⁵ The White House, Office of the Press Secretary, *Joint Statement by President Bush, President Calderon, Prime Minister Harper*, April 22, 2008.

⁶ North American Competitiveness Council (NACC), *Meeting the Global Challenge: Private Sector Priorities for the Security and Prosperity Partnership of North America, 2008 Report to Leaders*, April 2008.

- Working towards comprehensive integration of the North American automotive industry through more efficient border inspections and greater regulatory cooperation by aligning vehicle safety standards and regulations among the three countries;
- Implementing a trilateral Intellectual Property Action Strategy for more rigorous protection of intellectual property rights;
- Enhancing secure alternatives to a passport before the June 2009 date for full implementation of the Western Hemisphere Travel Initiative;
- Strengthening trilateral communication and cooperation to prevent the entry of unsafe food and products into North America and working to make regulatory and inspection regimes for food and product safety more compatible;
- Encouraging development of sustainable energy technologies and protection of the environment through private sector cooperation;
- Ensuring emergency management planning through increased cooperation on emergency protocols, particularly those related to border traffic and prioritization of cross-border shipments during emergencies; and
- Enhancing cooperation in financial regulation in order to provide more efficient access to capital, to improve the availability and affordability of insurance coverage for cross-border carriers, and to find new ways for cross-border collaboration on investment.⁷

Security Components of the SPP

The goal of the security components of the SPP is to coordinate the security efforts undertaken by each of the three participating nations to better protect citizens from terrorist threats and transnational crime while promoting the safe and efficient movement of legitimate people and goods. Working groups were established to address the security aspects of the SPP and are grouped by three broad themes: (1) external threats to North America, (2) streamlined and secured shared borders, and (3) prevention and response within North America. Ten individual security working groups have been established to address specific portions of the security agenda and include traveler security; cargo security; border facilitation; aviation security; maritime security; law enforcement; intelligence cooperation; bio-protection; protection, preparedness, and response; and science and technology.⁸ In the August 2007 joint statement, the three leaders highlighted several next steps to better secure North America, including, for example, reducing duplicate screening for baggage and cargo, pursuing innovative and interoperable law enforcement models to promote seamless operation at the border, improving and expanding existing law enforcement radio communications, identifying ways to further enhance the benefits of trusted traveler programs, and alleviating bottlenecks at the U.S.-Mexico border.⁹ The Ministerial Joint Statement issued in February of 2008, in advance of the leaders' meeting in New Orleans in April of 2008, stated that the leaders had reviewed the progress that had been achieved

⁷ NACC, pp. 5-10.

⁸ Government of Canada, "Security and Prosperity Partnership of North America: Working Groups," at http://www.psp-spp.gc.ca/overview/working_groups-en.aspx.

⁹ Joint statement, 2007.

since the meeting in Montebello, and directed officials to “strengthen cooperation protocols and create new mechanisms to secure our common borders while facilitating legitimate travel and trade in the North American region.”¹⁰

The SPP and Member Economies

The SPP is not a trade agreement, nor a form of economic integration, and goes only as far as leading to some measure of regulatory harmonization among the United States, Canada, and Mexico. The SPP working groups are not contemplating further market integration in North America. Such a move would require a government approval process within each of the three countries. In the United States, such an agreement would require the approval of the U.S. Congress.

Some proponents of economic integration in North America have maintained that the emergence of China and India in the global marketplace may be putting North America at a competitive disadvantage with other countries and that NAFTA should go beyond a free trade agreement. Some observers have written policy papers proposing that the U.S. government consider the possibility of forming a “NAFTA-Plus,” a “North American Union,” or even a common currency called the “Amero.”¹¹ Critics of this level of economic integration believe that NAFTA has already gone too far and that it has harmed the U.S. economy and undermined democratic control of domestic policy-making.¹² Others suggest that the SPP may be more than an initiative to increase cooperation and that it could lead to the creation of a common market or economic union in North America.¹³ However, as previously noted, if the United States were to potentially consider the formation of a customs union or common market with its North American neighbors, it would require approval by the U.S. Congress.

A free trade agreement (FTA), such as NAFTA, is the most common form of regional economic integration. Generally, in an FTA, member countries agree to eliminate tariffs and nontariff barriers on trade and investment within the specified free trade area. Under an FTA, each country maintains its own trade policies, including tariffs on trade outside the region.

In addition to FTAs, other forms of economic integration are customs unions, common markets, and economic unions. Such agreements sometimes imply a greater loss of autonomy over the parties’ commercial policies and require longer and more complex negotiations and implementation periods than FTAs. Customs unions are agreements in which members conduct free trade among themselves and maintain a common trade policy towards non-members. These agreements require the establishment of a common external tariff and harmonization of external trade policies. Common markets are those in which member countries go beyond a customs union by eliminating barriers to labor and capital flows across national borders within the market. The

¹⁰ Department of Commerce, *Commerce News: Joint Statement by Ministers Responsible for the Security and Prosperity Partnership of North America*, Washington, DC, February 28, 2008, http://www.spp.gov/news/news_02282008.asp.

¹¹ U.S. Council of the Mexico-U.S. Business Committee, Council of the Americas, *A Compact for North American Competitiveness*, April 2005; Grubel, Herbert G., The Fraser Institute, *The Case for the Amero: The Economics and Politics of a North American Monetary Union*, September 1999.

¹² Public Citizen, Global Trade Watch, North American Free Trade Agreement, see <http://www.citizen.org>.

¹³ Corsi, Jerome R., *The Plan to Replace the Dollar with the ‘Amero’*, May 22, 2006.

European Union is the most prominent example of a common market. In economic unions, member countries merge their economies even further than common markets by establishing a common currency, and therefore a unified monetary policy, along with other common economic institutions. The 12 members of the European Union that have adopted the euro as a common currency is the most significant example of a group of countries that has moved forward from a customs union to an economic union.

Transportation Corridors

One of the stated goals of the SPP is to improve the safety, security, and efficiency of the flow goods between the three countries. The majority of trade between the United States, Canada and Mexico is transported by land modes (truck, rail, and pipeline). U.S. freight trade with Canada and Mexico more than doubled in value between 1996 and 2007, growing from \$419 billion in 1996¹⁴ to \$909 billion in 2007¹⁵. Trucks are the dominant mode for transporting goods between the United States and its NAFTA partners, accounting for 61% (\$555 billion) of the value of total trade in 2007.¹⁶ This growth in the volume of freight is placing an increasing burden on transportation systems, and particularly the road network.

Recent data however, has shown a decline in the volume of surface transportation trade between the United States and its NAFTA partners. For example, the Bureau of Transportation Statistics (BTS) reports that the value of trade using surface transportation between the United States and Canada for November 2008 was \$37.8 billion, which represents a 16.4% decline compared to November of 2007. Similarly, BTS reports that U.S.-Mexico surface transportation trade for November 2008 totaled \$22.9 billion, representing a decline of 9% compared to November 2007. These measures combined indicate that surface transportation trade for November 2008 between the United States and its NAFTA partners has declined 13.8% as compared to November 2007.¹⁷ It remains to be seen what impact these declines, particularly if they are sustained over the coming months, will have on transportation planning and construction.

Some observers contend that the SPP may ultimately lead to a so-called “NAFTA Superhighway” that would link the United States, Canada, and Mexico with a ‘super-corridor’.¹⁸ The federal government however, has stated that there are no plans to build a “NAFTA Superhighway,” and that no super-corridor initiative of any sort is a part of the SPP.¹⁹ Further, no legal authority exists

¹⁴ Bureau of Transportation Statistics, *Increased Trade Spurs Growth in North American Freight Transportation*, May, 2007, at http://www.bts.gov/publications/bts_special_report/2007_05/pdf/entire.pdf.

¹⁵ Office of Public Affairs, “*U.S. Freight Shipments with Canada and Mexico Reached Record High in 2007*”, Department of Transportation, BTS-56-08, Washington, DC, November 19, 2008, pp. 1-3, http://www.bts.gov/press_releases/2008/bts056_08/pdf/bts056_08.pdf.

¹⁶ *Ibid.*, p. 1.

¹⁷ Bureau of Transportation Statistics, “*November 2008 Surface Trade with Canada and Mexico Fell 13.8% from November 2007*”, Department of Transportation, Press Release, Washington, DC, January 29, 2009, http://www.bts.gov/press_releases/2009/bts006_09/html/bts006_09.html.

¹⁸ See for example, Corsi, Jerome, *I-69: Yet Another NAFTA Superhighway*, at <http://www.humanevents.com/article.php?id=16966>; or Schlafly, Phyllis, *The NAFTA Superhighway*, August 23, 2006, at <http://www.eagleforum.org/column/2006/aug06/06-08-23.html>; or for a rebuttal of some of these claims see for example, Dine, Philip, “Superhighway myth feeds on fear,” *St. Louis Post-Dispatch*, May 19, 2007.

¹⁹ Security and Prosperity Partnership of North America, *Myths vs. Facts*, at http://www.spp.gov/myths_vs_facts.asp.

and no funds have been appropriated to construct such a superhighway, nor are there current plans to seek such authority or funding.²⁰

States regularly undertake highway construction and improvement projects independently of the SPP. As noted above, the nation's freight transportation system is being exposed to an increasing burden from cross-border trade.²¹ States and localities undertake highway projects to address the impacts of this increasing burden on the roadways, particularly in border states. Planning for these projects along the border often requires consultation with the neighboring NAFTA partner, as expansions of port access roads, additional lanes and bigger plazas, impact the flow of traffic through the port, and therefore the flow of traffic entering the neighboring country. Among other efforts, the SPP Transportation Working Group is analyzing border trade and traffic flows to support border infrastructure planning and prioritization.

Cargo Security and Border Facilitation

One of the central tensions in border management policy concerns how to design policies that facilitate the efficient entry of legitimate cargo while simultaneously ensuring that a sufficient level of security and scrutiny is applied to deny the entry of illegitimate cargo. Two of the ten SPP security working groups are devoted to cargo security and border facilitation. Since 9/11, the U.S. government has undertaken a number of initiatives aimed at improving cargo security and the facilitation of legitimate or low-risk cargo. Programs such as the Free and Secure Trade (FAST) program (a joint U.S.-Canada, and U.S.-Mexico program), and the Customs-Trade Partnership Against Terrorism (C-TPAT) program (a public-private supply chain security initiative) are two well-known examples of post-9/11 initiatives that seek to provide increased security while also providing expedited customs-clearance to pre-vetted shipments.

One initiative being considered under the SPP is known as pre-clearance, which has long been in place at airports, but which has remained difficult to implement at the land border. A related concept is known as reverse inspections which is essentially pre-clearance conducted on both sides of the border. Under the reverse inspection scenario, U.S. customs officials would be stationed in Canada to process and clear cargo en-route to the U.S. before the cargo reaches the U.S. border. Similarly, Canadian customs officials would be stationed in the U.S. to process cargo en-route to Canada from the United States. Proponents of reverse inspections maintain that this process offers increased security because it would allow, for example, U.S. customs officers the opportunity to intercept high-risk cargo before the truck reaches the bridge or the booth at the on the U.S. side of the border. Critics of the reverse inspection proposal cite sovereignty issues as a primary obstacle, but there are a host of other issues including the different authorities held by each country's customs agencies, and a variety of different legal issues.²²

²⁰ Ibid.

²¹ See, Bureau of Transportation Statistics, *Increased Trade Spurs Growth in North American Freight Transportation*, May, 2007, at http://www.bts.gov/publications/bts_special_report/2007_05/pdf/entire.pdf.

²² See, Tower, Courtney. "Pre-clearance scrapped after U.S. breaks off Canada talks," *Journal of Commerce Online*, April 27, 2007, citing the concerns of the Department of Homeland Security regarding the restrictions Canadian law would have placed on U.S. searches, investigations, and fingerprinting. See also, Nakashima, Ellen. "Fingerprint Dispute Dooms Border Site," *Washington Post*, May 24, 2007.

Progress was made, under the U.S.-Canada Shared Border Accord and the SPP, towards developing a pilot program to test reverse inspections at two different land border ports along the U.S.-Canada border.²³ To date however, the pilots have not gone forward²⁴, and it is unclear whether or not the obstacles to reverse inspections can be overcome in the future.

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²³ U.S. Department of Homeland Security. "Security and Prosperity Partnership: Implementation Report-Security Agenda," *Fact Sheet*, June 27, 2005, at http://www.spp.gov/SECURITY_FACT_SHEET.pdf?dName=fact_sheets.

²⁴ Tower, Courtney. "Pre-clearance scrapped after U.S. breaks off Canada talks," *Journal of Commerce Online*, April 27, 2007.